

AMENDED IN ASSEMBLY MAY 26, 2005

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CALIFORNIA LEGISLATURE—2005–06 REGULAR SESSION

ASSEMBLY BILL

No. 23

**Introduced by Assembly Member Liu
(Principal coauthors: Assembly Members Daucher and Dymally)**

December 6, 2004

An act to amend and repeal Sections 84750 and 84751 of, and to add Article 1 (commencing with Section 84700) to Chapter 5 of Part 50 of, the Education Code, relating to community college finance.

LEGISLATIVE COUNSEL'S DIGEST

AB 23, as amended, Liu. Community college finance: funding priorities: distribution of funds to community college districts.

Existing law authorizes the establishment of community college districts under the administration of community college governing boards, and authorizes these districts to provide instruction at community college campuses throughout the state. Existing law establishes a system for the apportionment of state funding to community college districts. This system, known as program-based funding, is generally based on calculations related to the number of full-time equivalent students (FTES) in attendance at each district.

This bill would express the intent of the Legislature to replace the program-based distribution of funds to community college districts with a simple, more equitable method, and to implement, commencing with the 2009–10 fiscal year, a funding model developed pursuant to the bill.

The bill would require that, effective no later than July 1, 2009, each district of the California Community Colleges receive a basic allocation to support the physical plant of the college and the number of campuses and centers operated by that district, followed by an equalization rate for all FTES enrollments. The bill would provide that this provision would take effect prior to July 1, 2009, if and when funding for the community colleges has been equalized throughout the state.

The bill would require the Department of Finance and the Legislative Analyst's Office, working collaboratively with representatives of the Chancellor's Office of the California Community Colleges, to jointly recommend the appropriate funding levels for community college full-time equivalent students prior to January 1, 2009.

The bill would, as of July 1, 2009, render inoperative the provisions that generally establish the framework for the existing system for the apportionment of state funding to community college districts. The bill would delete these provisions as of January 1, 2010.

Vote: majority. Appropriation: no. Fiscal committee: yes.
State-mandated local program: no.

The people of the State of California do enact as follows:

1 SECTION 1. Article 1 (commencing with Section 84700) is
2 added to Chapter 5 of Part 50 of the Education Code, to read:

3
4 Article 1. Distribution of Funds to Community College
5 Districts
6

7 84700. It is the intent of the Legislature to replace the
8 program-based distribution of funds to community college
9 districts with a simpler, more equitable method.

10 84701. (a) Effective no later than July 1, 2009, each district
11 of the California Community Colleges shall receive a basic
12 allocation to support the physical plant of the campuses and
13 centers operated by that district, followed by an equalization rate
14 for all FTES enrollments. This subdivision shall take effect prior
15 to July 1, 2009, if and when funding for the community colleges
16 has been equalized throughout the state.

(b) Prior to January 1, 2009, the Department of Finance and the Legislative Analyst's Office, working collaboratively with representatives of the Chancellor's Office of the California Community Colleges, shall jointly recommend the appropriate funding levels for community college full-time equivalent students. These recommendations may include differential funding levels to provide higher funding rates for higher cost courses and programs. ~~It is the intent of the Legislature that state support per FTES be no lower than the national average. A transition period shall be provided for any district that is funded above this level to maintain its FTES funding level until it equals the statewide average.~~

84702. It is the intent of the Legislature to implement the funding model developed pursuant to this article commencing with the 2009–10 fiscal year.

SEC. 2. Section 84750 of the Education Code is amended to read:

84750. The board of governors, in accordance with the statewide requirements contained in subdivisions (a) to (j), inclusive, and in consultation with institutional representatives of the California Community Colleges and statewide faculty and staff organizations, so as to ensure their participation in the development and review of policy proposals, shall develop criteria and standards for the purposes of making the annual budget request for the California Community Colleges to the Governor and the Legislature, and for the purpose of allocating the state general apportionment revenues.

In developing the criteria and standards, the board of governors shall utilize and strongly consider the guidelines and work products of the Task Force on Community College Financing as established pursuant to Chapter 1465 of the Statutes of 1986, and shall complete the development of these criteria and standards, accompanied by the necessary procedures, processes, and formulas for utilizing its criteria and standards, by March 1, 1990, and shall submit on or before that date a report on these items to the Legislature and the Governor.

The board of governors shall develop the criteria and standards within the following statewide minimum requirements:

(a) The calculations of each community college district's revenue level for each fiscal year shall be based on the level of

1 general apportionment revenues (state and local) the district
2 received for the prior year plus any amount attributed to a deficit
3 of minimum workload growth, with revenue adjustments being
4 made for increases or decreases in workload, for program
5 improvement as authorized by this section or by any other
6 provision of law, for inflation, and for other purposes authorized
7 by law.

8 (b) (1) For credit instruction, the funding mechanism
9 developed pursuant to this section shall recognize the needs
10 among the major categories of operation of community colleges,
11 with categories established for instruction, instructional services
12 and libraries, student services, maintenance and operations, and
13 institutional support.

14 (2) The board of governors may propose to the Legislature, for
15 enactment by statute, other cost categories when adequate data
16 exist.

17 (3) Funding for noncredit classes shall be determined as
18 follows:

19 (A) The preliminary amount per noncredit full-time equivalent
20 student (FTES) for 1991–92 shall be equal to the comparable
21 amount for 1990–91 with increases corresponding to the
22 cost-of-living adjustment (COLA) specified in subdivision (e)
23 and corresponding to any program improvement provided to the
24 maintenance and operations category for 1991–92.

25 (B) Funds for maintenance and operations shall be included in
26 the funds derived under paragraph (4) of subdivision (c).

27 (C) Funds for institutional support will be derived as part of
28 the computation under paragraph (5) of subdivision (c).

29 (D) From the preliminary amount described in subparagraph
30 (A), a deduction shall be made corresponding to the amounts
31 derived in subparagraphs (B) and (C), and the remainder shall be
32 the funded amount per noncredit FTES for 1991–92.

33 (E) Changes in noncredit FTES shall result in adjustments to
34 revenues as follows:

35 (i) Increases in noncredit FTES shall result in an increase in
36 revenues in the year of the increase and at the average rate per
37 noncredit FTES.

38 (ii) Decreases in noncredit FTES shall result in a revenue
39 reduction in the year following the decrease and at the average
40 rate per noncredit FTES.

(iii) Districts shall be entitled to restore any reductions in apportionment revenue due to decrease in noncredit FTES during the three years following the initial year of decrease in noncredit FTES if there is a subsequent increase in FTES.

(4) Except as otherwise provided by statute, current categorical programs providing direct services to students, including extended opportunity programs and services, and disabled students programs and services, shall continue to be funded separately through the annual Budget Act, and shall not be assumed under budget formulas of program-based funding.

(5) District revenues shall be determined based on systemwide funding standards within the categories, and revenue adjustments shall occur based on distinct measures of workload applicable to each category.

(c) Workload measures applicable to each category shall be established with the following measures to be provided:

(1) For credit instruction, the workload measure shall be the credit FTES. Changes in credit FTES shall result in adjustments in revenues as follows:

(A) Increases in FTES shall result in an increase in revenues in the year of the increase and at the statewide average per FTES.

(B) Decreases in FTES shall result in a revenue reduction in the year following the decrease and at the district's average FTES.

(C) Districts shall be entitled to restore any reductions in apportionment revenue due to decrease in FTES during the three years following the initial year of decrease in FTES if there is a subsequent increase in FTES.

(2) For instructional services and libraries, the workload measure shall be the credit FTES. Changes in credit FTES with respect to instructional services and libraries shall result in adjustments to revenues as follows:

(A) Increases in FTES shall result in an increase in revenues in the year of the increase and at the statewide average rate per FTES.

(B) Decreases in FTES shall result in a revenue reduction in the year following the decrease and at the district's average per FTES.

(C) Districts shall be entitled to restore any reductions in apportionment revenue due to decreases in FTES during the three

1 years following the initial year of decreases in FTES if there is a
2 subsequent increase in FTES.

3 (3) For student services, the workload measure shall be based
4 on the numbers of credit students enrolled (headcount).

5 Changes in headcount shall result in adjustments to revenues as
6 follows:

7 (A) Increases in headcount shall result in an increase in
8 revenues in the year of the increase at the statewide average per
9 headcount.

10 (B) Decreases in headcount shall result in a revenue reduction
11 in the year following the decrease at the district's average per
12 headcount.

13 (C) Districts shall be entitled to restore any reductions in
14 apportionment revenue due to decrease in headcount during the
15 three years following the initial year of decrease in headcount if
16 there is a subsequent increase in headcount.

17 (4) For maintenance and operations, the workload measure
18 shall be based on the number of square feet of owned or leased
19 facilities. Changes in the number of square feet shall be adjusted
20 as follows:

21 (A) Increases in the number of square feet shall result in an
22 increase in revenue in the year that the increase occurs and at the
23 average per square foot.

24 (B) Decreases in the number of square feet shall result in a
25 decrease in revenue beginning July 1 of the first full year in
26 which the square feet are no longer owned or leased and at the
27 average rate per square foot.

28 (5) For institutional support, a single-fixed percentage which
29 shall apply to all districts shall be established based on the
30 pattern from the most recent data. The percentage shall be
31 obtained from statewide data by comparing expenditures for this
32 category with the total revenue for all five categories.

33 (d) Funding standards, subject to the conditions and criteria of
34 this section, shall be established by the board for the various
35 categories of operation established pursuant to subdivision (b). In
36 consultation as required by subdivision (e) of Section 70901, the
37 board of governors shall annually request program improvement
38 moneys to assist districts in meeting these standards.

39 (e) To the extent that funding is provided in the annual budget,
40 revenue adjustments shall be made to reflect cost changes, using

1 the same inflation adjustment as required for school districts
2 pursuant to subdivision (b) of Section 42238.1.

3 (f) An adjustment for economies of scale for districts and
4 colleges shall be provided.

5 (g) The statewide increase in workload of FTES and
6 headcount shall be, at a minimum, the rate of change of the adult
7 population as determined by the Department of Finance, and may
8 be increased through the budget process to reflect other factors,
9 including statewide priorities, the unemployment rate, and the
10 number of students graduating from California high schools. The
11 allocation of changes on a district-by-district basis shall be
12 determined by the board of governors.

13 (h) For the 1991–92 fiscal year, or on the date this section is
14 implemented by the board of governors in accordance with
15 Section 70 of Chapter 973 of the Statutes of 1988, whichever is
16 later, all districts shall receive at least the amount of revenue to
17 which they would have been entitled pursuant to former Article 1
18 (commencing with Section 84700). Thereafter, allocations shall
19 be made pursuant to this section, as implemented by the board of
20 governors pursuant to the annual State Budget.

21 (i) Except as specifically provided by statute, regulations of
22 the board of governors for determining and allocating the state
23 general apportionment to the community colleges may not
24 require district governing boards to expend the allocated
25 revenues in specified categories of operation or according to the
26 workload measures developed by the board of governors.

27 (j) As used in this section:

28 (1) “Criteria” means the definitions of elements of institutional
29 practice or activity to be included in the categories of operation
30 of community college districts.

31 (2) “Program improvement” means an increase in revenue
32 which is allocated to all districts to fund standards adopted
33 pursuant to subdivision (d). Program improvement also means an
34 increase in revenue allocated to low-revenue districts to bring
35 them closer to the statewide average.

36 (3) “Standard” means the appropriate level of service in a
37 category of operation of the community college districts.

38 (k) This section shall become inoperative on July 1, 2009, and,
39 as of January 1, 2010, is repealed, unless a later enacted statute,
40 that becomes operative on or before January 1, 2010, deletes or

1 extends the dates on which it becomes inoperative and is
2 repealed.

3 SEC. 3. Section 84751 of the Education Code is amended to
4 read:

5 84751. In calculating each community college district's
6 revenue level for each fiscal year pursuant to subdivision (a) of
7 Section 84750, the chancellor shall subtract, from the total
8 revenues owed, all of the following:

9 (a) The local property tax revenue specified by law for general
10 operating support, exclusive of bond interest and redemption.

11 (b) Ninety-eight percent of the fee revenues collected pursuant
12 to Section 76300.

13 (c) Timber yield tax revenues received pursuant to Section
14 38905.1 of the Revenue and Taxation Code.

15 (d) Any amounts received pursuant to Section 33492.15,
16 33607.5, or 33607.7 of the Health and Safety Code, and Section
17 33676 of the Health and Safety Code as amended by Section 2 of
18 Chapter 1368 of the Statutes of 1990, that are considered to be
19 from property tax revenues pursuant to those sections for the
20 purposes of community college revenue levels, except those
21 amounts that are allocated exclusively for educational facilities.

22 (e) Ninety-eight percent of the revenues received through
23 collection of a student fee from a student enrolled in the district
24 who registered or enrolled between July 1, 1995, and the date this
25 act becomes operative.

26 (f) This section shall become inoperative on July 1, 2009, and,
27 as of January 1, 2010, is repealed, unless a later enacted statute,
28 that becomes operative on or before January 1, 2010, deletes or
29 extends the dates on which it becomes inoperative and is
30 repealed.